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IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1975

NO. 75-1134

USM CORPORATION,
Petitioner,

VS.

THE SCHLEGEL MANUFACTURING COMPANY,
Respondent.

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

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The Schlegel Manufacturing Company, respondent herein, respectfully submits that the petition for a writ of certiorari filed by USM Corporation is without merit and prays that the petition be denied.

OPINIONS BELOW; ORDER STAYING PROCEEDING IN SOUTH CAROLINA

1. The Opinions in the instant case are: *Schlegel Manufacturing Co.* v. *USM Corp.*, 525 F.2d 775 (6th Cir. 1975), A. 24-43,* hereinafter "the Sixth Circuit decision"; an Order of the Sixth Circuit denying a petition for rehearing, A. 44-45, which is not officially reported; and *Schlegel Manufacturing Co.* v. *USM Corp.*, 381 F.Supp. 649 (S.D. Ohio 1974), A. 16-23, hereinafter "the Ohio District Court decision". A decision denying a motion to stay proceedings in the Ohio District Court is reported as *Schlegel Manufacturing Co.* v. *USM Corp.*, 369 F.Supp. 649 (S.D. Ohio 1973), A. 12-15.

2. An Order granting a motion to stay proceedings in South Carolina in *USM Corp.* v. *Schlegel Manufacturing Co.*, Civil Action No. 73-544, (D.S.C., July 11, 1973), RA. 1-2, is not officially reported.

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* References to the Appendix of the petition are designated "A. . .", references to the Appendix to this brief are designated "RA. . .".

RESPONDENT'S GROUNDS OF OPPOSITION TO THE PETITION

1. This is an ordinary patent contempt case. It involves no questions which are in conflict with applicable decisions of this Court. Nor is there any conflict between circuits. All that was decided below was that the petitioner was in willful contempt of an injunction for having manufactured and sold an enjoined product (A. 33-37). In so holding, the Sixth Circuit applied the law of the jurisdiction, which was consonant with the holding of every court of appeals which has been called upon to decide the patent contempt issue.

2. The petitioner sought to mount a collateral attack on the judgment by challenging its *res judicata* effect (Petition at 7-8). That attack was rejected on the basis of the established law of the circuit, with the Sixth Circuit Court of Appeals specifically holding that the Final Judgment (A. 8) by consent of validity and infringement was *res judicata* (A. 27-33). Although the petitioner made a feint toward arguing that the Court's opinion was in conflict with a decision of the Seventh Circuit, it was forced to admit that there was no conflict (Petition at 8).

3. The public interest issue, as presented, does not fairly or accurately reflect the position of the Sixth Circuit. That decision did not overlook the public interest in encouraging "early contests on patent validity" (*cf.* Petition at 6), but quite the opposite, treated the subject fully and fairly. The Sixth Circuit Court properly observed that it is precisely because litigants know that *res judicata* effect is given to consent decrees that they are encouraged to investigate validity and litigate the issue, if need be, at as early a date as possible rather than settle (A. 33).

4. The petitioner's troubles arise out of factual circumstances all of its own making; it was the petitioner who

moved the Ohio District Court to permit it to enter into the consent decree and to be enjoined, who made and sold the accused structure contrary to the injunction, and who precipitated this contempt proceeding by first filing a declaratory judgment action in South Carolina. This result is merely the just consequence of those acts from which no Court can, or should, give a release.

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SUPPLEMENTAL STATEMENT OF THE CASE

The petitioner's statement of the case (Petition at 2-4) needs to be supplemented and corrected, as follows:

1. In the original action between Schlegel and King Aluminum Corp. in the Ohio District Court, USM moved on its own in February of 1972 to join as a party defendant (RA. 3) so that it could actively participate in and give its consent to the Final Judgment (*cf.* Petition at 3).

2. The representation that the form of weatherstripping which became the subject of these contempt proceedings had been the subject of "the opinion of USM counsel" is clearly contrary to the fact (*cf.* Petition at 3). The matter of opinions was gone into thoroughly at trial and was the subject of the Ohio District Court's findings of fact 31 through 36 (A. 19-20) and the specific finding that "there was no evidence of any written opinions and no one was called upon to testify as having given an opinion" (A. 20).

3. This contempt proceeding charging a violation of the injunction, was brought without choice, and only after USM had terminated a conference between the parties on May 8, 1973, with the pronouncement that an action for declaratory relief had been filed that day in the South Carolina District Court (A. 18, finding 15). It was then three days later, on May 11, 1973, that Schlegel brought this Motion for Contempt in the Ohio District Court.

4. Cross motions were brought to stay the respective South Carolina District Court and the Ohio District Court proceedings, the South Carolina District Court staying that action in July of 1973 to permit review by the Ohio District Court (RA. 1-2) and the Ohio District Court denying USM's motion to stay in December of 1973 (A. 12). In the Order of December, 1973, the Ohio District Court set February 12, 1974 as the trial date for the motion for con-

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tempt and, as USM had raised the issues, forewarned that: a) USM would be bound by *res judicata* and not permitted to directly or collaterally attack the judgment; and b) USM's *Johnson* patent, which had been asserted in defense of its infringement, might be placed in issue and adjudicated, if necessary (A. 14).

5. Trial was had on February 13 and 14, 1974 and the facts adduced as set forth in the decision of September 4, 1974 (A. 16-23). The conclusion was willful contempt (A. 23).

6. The *per curiam* decision of the Sixth Circuit Court of Appeals (A. 24) gave a detailed review of each of the issues raised by USM, including specifically, the scope of the invention (A. 26-27), the *res judicata* issue and its public interest aspects (A. 27-33), the matter of contempt (A. 33-37), and the validity of the *Johnson* patent (A. 37-38). The appellate review was complete.

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ARGUMENT

I. Petitioner's Issues Are to Matters Of Fact

The petition presents no issues which are sufficiently special or important as to warrant the granting of the writ. None of the questions presented is directed to matters of law, but instead each is a presentation of fact, none of which calls for an exercise of this Court's power of supervision.

The matter referred to by the petitioner as "the public interest" delineated in *Lear* v. *Adkins*• (Petition at 1(1)) presents no issue in this case, because *Lear* made no pronouncements on *res judicata* or on the public policy underlying that doctrine. The conclusion of *Lear* was that the technical requirements of contract law must give way before the demands of the public interest in the typical situation involving the negotiation of a license after a patent has issued (*Id.* at 670-71). A final judgment falls into neither the class of "typical", nor the category of "negotiations" contemplated by *Lear*.

The other questions of determination of patent infringement (Petition at 1(2)) and of the admissibility of the settlement agreement (Petition at 2(5)) are questions of fact which were generously considered and disposed of by the trial court. The ancillary question of whether a settlement agreement should be reviewed for misuse (Petition at 2(3) and (4)) merges into the admissibility question and was disposed of with that question. The Sixth Circuit affirmed those decisions.

II. This Is An Issue Between The Parties

The controversy has been and continues to be a purely parochial issue between Schlegel and USM. In February of 1972, USM was not a party to the original action but, in

• 395 U.S. 653 (1969).

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what was then judged to be an honorable display of warrantor responsibility, USM voluntarily submitted itself to the jurisdiction of the Ohio District Court in order to give its protection to the then defendant, King Aluminum Corp. That voluntary submission could not have been obtained with either a shotgun or the sword of Damocles. The final judgment by consent with the determinations of validity and infringement followed. Unquestionably, USM, an organization sophisticated in the law, knew what it was doing and had reasonable conviction as to the validity of the patent and of its infringement of the patent to justify those admissions, and to accept an injunction as the inevitable.

The subsequent violation of that injunction by USM's making of the new form of weatherstripping became a subject for discussion between Schlegel and USM in the Spring of 1973. Those discussions were short lived and were terminated by USM filing an action in the South Carolina District Court on May 8, 1973, seeking a declaration of invalidity and non-infringement. Immediately thereafter, this Motion for Contempt was filed in the Ohio District Court as a first step in resolving the conflict between the continuing jurisdiction of the Ohio District Court and the invidiously invoked jurisdiction of the South Carolina District Court.

In the jurisdictional bouts that followed, both district courts heard the parties, with the Ohio District Court assuming jurisdiction over the dispute and summarizing USM's antics as having been "an exercise in frivolity" (A. 13). The Court was lenient in its judgment, for the clear (but misguided) purpose of USM in going to the South Carolina District Court was to abrogate the judgment and its injunction by avoiding the jurisdiction that issued it. The Ohio District Court corrected that digression and brought the dispute back to what it was, a purely parochial issue between Schlegel and USM.

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III. The Final Judgment Is To Be Given Final Effect

In *United States* v. *Swift & Co.*, 286 U.S. 106, 115 (1932), Mr. Justice Cardozo said:

> "We reject the argument . . . that a decree entered upon consent is to be treated as a contract and not as a judicial act."

That is still the law and it applies here. There is nothing in the petitioner's arguments which persuades that Judge Weinman's final judgment was just a contract, or that the defendant, USM, was just a contractee and not a litigant (*cf.* Petition at 5).

Nor is there any logical content to the petitioner's statement that "early contests on patent validity" would be encouraged by permitting a litigant to take a meaningless settlement so that he could postpone and delay a final adjudication of validity (*cf.* Petition at 6). The Sixth Circuit decision addressed and neatly disposed of that proposition (A. 33). Certainly it cannot be said from this vortex of conflict in 1976 that USM's devious conduct in 1972 of joining in a consent decree (which it now says it did not mean) was either exemplary or had the effect of encouraging an early contest on the legal issues involved.

Finally, the representation, that this Sixth Circuit decision affirming the *res judicata* effect of a consent adjudication of validity and infringement is in conflict with decisions of the Seventh Circuit, is simply not true (*cf.* Petition at 7). As the petitioner was forced to admit, the Seventh Circuit Court of Appeals, in *USM Corp.* v. *Standard Pressed Steel Co.*, 524 F.2d 1097 (7th Cir. 1975), its most recent opinion on the subject, has stated unequivocally:

> "The question . . . (of) whether a consent judgment adjudicating infringement as well as validity bars a party to a judgment from subsequently challenging the

validity of the patent, has not been decided by this Court." (Explanation added) (*Id.* at 1098-99)

There is no conflict with the decisions of this Court, or any other Court, in the Sixth Circuit decision holding that a final judgment by consent is to be given an effect of finality as between the parties.

IV. The Materials Prior to Final Judgment Were Barred

The petitioner's remarks about having been deprived the evidence of the settlement agreement, of misuse, and so forth, are without substance. The petitioner had no valid evidence to offer.

When the Ohio District Court identified the petitioner's antics as being an exercise in frivolity and assumed jurisdiction for purposes of hearing the motion on contempt, it advised USM that the law did not permit and that the Court would not permit collateral attacks on the judgment through the assertion of defenses that had been available to the litigant at the time that it entered into the judgment. Hence, the settlement documents from which the judgment evolved and any misuse based thereupon were to be barred. At the trial on contempt USM came forward with nothing by way of defense that had not been available to it at the time of entry of final judgment, wherefore, the settlement documents though reviewed, were refused entry into evidence. USM had barred itself.

The Sixth Circuit heard USM's complaints in that regard and found no error.

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CONCLUSION

This case does not involve any unsettled questions of law; there are no conflicts in decisions between courts of appeals; there are no proceedings which call for the exercise of this Court's power of supervision; wherefore, there is no special or important reason for granting a writ of certiorari.

The petition should be denied.

Respectfully submitted,

JAMES M. WETZEL,
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135 South LaSalle Street,
Chicago, Illinois 60603,
(312) 372-1655,
Attorney for Respondent.

Dated: March 11, 1976

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APPENDIX TO
RESPONDENT'S BRIEF
IN
OPPOSITION TO PETITION
FOR A
WRIT OF CERTIORARI

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IN THE DISTRICT COURT OF THE UNITED STATES
FOR THE DISTRICT OF SOUTH CAROLINA
ROCK HILL DIVISION

USM CORPORATION, Plaintiff, v. THE SCHLEGEL MANUFACTURING COMPANY, Defendant.	Civil Action No. 73-544 Order Staying Proceedings

This matter is before me on motion of David A. Gaston, and James M. Wetzel, attorneys for the defendant, The Schlegel Manufacturing Company, for an order staying the present proceedings and the time for answering or otherwise pleading. It appears from the record that there is presently pending in the United States District Court for the Southern District of Ohio a Motion for Contempt filed by The Schlegel Manufacturing Company against USM Corporation involving two of the same parties, the same patent (U.S. #3,175,256) and primarily the same issues of infringement as presented here.

The USM Corporation has filed a Motion to Stay in the Ohio action and The Schlegel Manufacturing Company has filed a Motion in the Ohio action asking the court to enjoin USM Corporation from proceeding before this court. The record indicates that the motions pending before the Ohio court have been briefed in depth by both sides. Thus, it appears that the current focus of the controversy between the parties is and has been centered in the United States District Court for the Southern District of Ohio. As the cross-motions pending in the Southern District of Ohio could dispose of this cause or at least establish an order of

precedence between the proceedings, as the issues here have not been joined here, and as it does not appear that the granting of the motion would unduly delay the final disposition of this cause, a stay of proceeding appears to be in the best interests of judicial economy. Therefore, it is

ORDERED: that the present proceedings be stayed and the time for answering or otherwise pleading be extended pending a decision on the Motion to Stay and the Motion to Enjoin presently pending before the United States District Court for the Southern District of Ohio. The Defendant shall report that decision to this Court within ten days of entry of the decision at which time appropriate proceedings will be had before this Court.

Robert W. Hemphill

Robert W. Hemphill
United States District Judge

Rock Hill, S.C.
Dated: July 10, 1973

CERTIORARI DENIED

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IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION

THE SCHLEGEL MANUFACTURING CO., a Corporation, Plaintiff, v KING ALUMINUM CORPORATION, a Corporation, Defendant.	Civil Action No. 3706

Motion And Stipulation For
Joinder Of Additional Defendant

[Filed February 22, 1972]

USM Corporation, by its attorney, moves for leave to join this action as a co-defendant with King Aluminum Corporation, in order to join in the stipulated settlement and proposed Final Judgment between the parties, copies of which are attached hereto, on the ground that it is making and/or selling the pile weather stripping, series 892 and 893, which is referred to in the Stipulation and in the Final Judgment, and as such, should be a party to the final disposition of the action.

Date: February 11, 1972

Daily L. Bugg
Dailey L. Bugg
Counsel for USM Corporation

Consent:

Richard H. Evans
Richard H. Evans
Trial Counsel for Plaintiff

Dailey L. Bugg
Dailey L. Bugg
Trial Counsel for Defendant
King Aluminum Corporation

It is SO ORDERED this 22nd
day of February, 1972.

Carl A. Weinman
Chief Judge, United States District Court